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C O N F I D E N T I A L SECTION 01 OF 05 CARACAS 000514

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SUBJECT: VENEZUELAN CORRUPTION CRACKDOWN: A DAY LATE, A
DOLLAR SHORT

REF: A. A: 05 CARACAS 03230

[1](#)B. B: 05 CARACAS 00636

[1](#)C. C: 05 CARACAS 01522

[1](#)D. D: CARACAS 00078

Classified By: POLITICAL COUNSELOR ROBERT R. DOWNES FOR 1.4 (D)

Summary

[1](#)1. (C) Venezuelan President Hugo Chavez is making corruption a campaign issue, according to Presidential speeches and MVR strategy documents. National Assembly deputies have prioritized the passage of at least five laws dealing with corruption. The Venezuelan Government, however, has a poor record of enforcing anticorruption laws already on the books. In addition to its legislative agenda, the government appears to be taking some concrete actions to show it is serious about corruption, including the investigation of an army regiment for the possible embezzlement of USD 1.2 million. Meanwhile, new scandals continue to come to light. With over seven years in office, Chavez is being forced to admit that some corrupt officials make up his administration. The Venezuelan Government's eleventh-hour fight against corruption is unlikely to pay any political or social dividends, but Chavez' opponents are not exploiting his failures. End Summary.

[1](#)2. (U) As he did in 1998, Venezuelan President Hugo Chavez is making corruption a campaign issue. In a typically melodramatic outburst, Chavez told listeners to his 15

January "Alo Presidente" program that he would order the execution of corrupt soldiers if he could. The rest of his administration has taken his cue. The MVR's national tactical command listed "fight against the corrupt" among its 13 campaign themes. Interior Minister Jesse Chacon counted a plan to attack corruption among seven projects his office had planned for 2006.

13. (SBU) Several National Assembly deputies have said the fight against corruption would be a legislative priority in the upcoming year. National Assembly president Nicolas Maduro said in late December that the new legislature would champion the crusade against corruption, mentioning the need to integrate the parliament with the people to fight the problem effectively. Of the 51 bills the chamber says it will pass, five deal with corruption: the organic penal law against corruption, a reform of the bidding law, the parliamentary ethics and discipline code, the social comptroller special law, and a reform of the law regulating public officials' appearance before the legislature. Further, National Assembly comptroller committee chairman Pedro Carreno during a press interview called for legislation to make state and municipal comptroller boards independent from their governments. While they talked about the evils of corruption, deputies appeared to be jockeying for positions that offered opportunities for kickbacks. According to press reports, 80 percent of the incoming National Assembly deputies said they wanted a seat on the body's finance committee.

National Police Law

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14. (U) The national police corps law, which is on the 2006 agenda of the National Assembly's interior policy committee, purports in part to reform Venezuela's corrupt law enforcement system. Interior Minister Chacon called in late January for a centralized force that reduces political nominations of personnel to a minimum and avoids "police recycling," which may refer to the reenlistment of corrupt or incompetent cops. He condemned what he termed the failed police decentralization of previous administrations.

15. (C) The draft text, however, does not mention corruption. As it stands, the bill mainly deals with re-centralization. It would eliminate some federal and local police forces in addition to establishing a new national police corps and centralized "coordination" bodies to oversee state and local forces. Although its phrasing can be ambiguous, the bill contains provisions that raise human rights concerns. For example, the bill excuses police offenses committed in the "protection of police service and public order" and during a "state of necessity." It also gives the national police force the authority to manage secret "crime" and "security" information to be shared only

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with prosecutors and judges. It does not grant defense attorneys access to the information.

No One Follows the Laws Anyway

16. (C) Laws will not make Venezuelan public officials more honest without a culture committed to eradicating the scourge of corruption. For example, the current anticorruption law makes punishable the use of a public office to support political candidates by one to three years in prison. Nonetheless, the Chavez' administration continues to make extensive use of public funds to promote the campaigns of the president and his supporters. Comptroller General Clodosbaldo Russian called for a purge of the judicial

system, which he blamed for impeding punishments handed down by his office against corrupt officials. Ramon Medina, former director of common crimes in the Attorney General's office, told poloff in late October 2005 that institutions charged with enforcing the organized crime law--which also deals with crimes of corruption--were the same ones who committed the offenses the law outlawed. He argued, moreover, that prosecutors and police were too ineffective to enforce the law properly. Police in Venezuela, he added, considered their work finished once stolen items were returned.

We Really Are Battling Corruption

17. (C) In addition to sponsoring legislation, the government appears to be trying to show it is taking its campaign pledge seriously:

-- A military investigation has revealed that the 62nd Army Regiment, commanded by Gen. Delfin Gomez Parra, "lost" about USD 1.2 million as it carried out work projects on a sugar mill near Chavez' home village of Sabaneta, Barinas. The

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military sent the case to the Attorney General's office on January 20, adding that its investigation revealed bribery, nepotism, and backlogs in accounting. Federal police faulted state development bank Banfoandes, saying the bank could have detected the counterfeiting of two checks for a total of over USD 160,000, according to late February press reports.

-- Making good on Maduro's promise to take the parliament to the people, National Assembly deputy Belkys Solis on January 26, 2006 called everyone participating in BRV social missions in her home state of Bolivar to bring any complaint, recommendation, or question they had about the programs to the legislature, according to a pro-Chavez website. She pledged that all complaints related to the Mercal subsidized grocery store program (see REF A for a description of Mercal corruption) in Bolivar would be investigated.

-- Outgoing Food Minister Rafael Oropeza said the Attorney General's office was dealing with over 100 cases of presumed corruption in Mercal. The cases appear to be languishing, however, as Oropeza noted that many of them dated back to 2003, according to press reports.

-- Comptroller General Russian publicly claimed in December 2005 that no other comptroller had talked more about corruption than he, adding that the government had punished both BRV and opposition officials. He refused to name names, however, noting that all the corruption cases were published in the BRV's official gazette. Russian is also not above targeting officials for political reasons. For instance, he suspended the mayor of Caracas' Chacao municipality, Leopoldo Lopez (Primero Justicia), from political activity for six years after he leaves office in 2008 because Lopez' office paid local officials' salaries with money earmarked for a federal fund.

-- Official media reports claimed the Attorney General's Office had confiscated 1.5 billion bolivars (nearly USD 700,000 at the official exchange rate) relating to 674 cases of "illicit enrichment and crimes against public business" in 12005. According to the report, the seizures result from the investigation of 31 percent more cases than in 2004.

-- The Supreme Court's enforcer, Justice Luis Velazquez Alvaray (Note: see SEPTTEL list of allegedly corrupt officials and REFS B and C) said anticorruption tribunals would begin working in the first trimester of 2005. He asked the Attorney General to prosecute those court officials accused of corruption. Velazquez Alvaray appeared focused on administrative embezzlement; he did not mention any cases of

bribes taken to subvert the legal process, according to press reports.

Scandals Old and New

18. (C) In the tradition of our previous reporting (REF A), we provide below updates on corruption rumors we have received.

-- Retired National Guard Gen. Regulo Diaz, who served as comptroller of the Venezuelan Armed Forces, said he brought evidence implicating 10 officials in corruption to Chavez'

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attention, including cases against former Interior Minister and Defense Minister (ret.) Gen Lucas Rincon, commander of the army Gen. Raul Baduel, and Social Development Minister (ret.) Gen. Jorge Luis Garcia Carneiro. Diaz said Chavez had told him to leave the reports for him to deal with later. Diaz said he sent the cases to the Attorney General and the Comptroller in 2002, but nothing was ever done.

-- Opposition websites and tabloids have alleged corruption involving BRV officials and Smartmatic, the firm that provides Venezuelan voting machines. One tabloid claimed Smartmatic paid a USD six million bribe to an unnamed official close to Luis Miquilena, the former Chavez mentor and Interior Minister who was charged in 2002 with mishandling funds donated by Spain's Banco Bilbao Viscaya (BBV) to Chavez' 1999 campaign. (Note: Post has a copy of a Spanish court order seeking the arrest of several BBV executives for irregular money movements, including the USD 1.5 million allegedly donated to Chavez in 1999.) Opposition members later accused National Electoral Council president Jorge Rodriguez of benefiting from a stay and a USD 280 massage at a luxury resort in Boca Raton paid for by Smartmatic, and they produced a copy of his bill. Rodriguez responded that he had reimbursed Smartmatic for the expense.

-- According to the Financial Times, most of the USD 600 million in Argentine bonds the BRV sold in December 2005 went directly--instead of in an auction--to two Venezuelan banks. The banks benefited by purchasing at the official exchange rate of 2,150 bolivars to the dollar and selling at the parallel rate of about 2,600 bolivars.

-- An law enforcement officer at the Italian Embassy in Caracas told poloff that Venezuela's Department of Immigration and Identification (ONIDEX) had shut down its comptroller's office in mid- to late-2005, effectively eliminating oversight of the corrupt institution. (See REF A for a description of ONIDEX corruption.)

-- A labor leader for aluminum parastatal CVG Alum denounced his company for covering up possible evidence of corruption. He noted "administrative errors" that resulted in a fine by tax collection agency Seniat and the company's accumulation of approximately USD 56 million in losses despite record production levels and high aluminum prices during 2004-05.

Comment

19. (C) Since everyone knows corruption remains a problem in Venezuela, the BRV must act, or at least appear to act. Chavez became president in part because he campaigned against corruption. As incumbent, he cannot exploit the issue again without having something to show for it. Having been in power for seven years, members of Chavez' administration make up most of those accused of wrongdoing. Chavez himself admits that some corrupt officials have tainted his revolution. Yet, the actions he has taken to date are neither significant enough to make a difference nor timely

enough to convince the public that corruption really has been the President's priority. According to Keller and Associates' fourth quarter poll, a plurality (45 percent) of the population believes corruption has gotten worse. If

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opposition leaders were smart, they would question why the government has taken over seven years to begin fighting corruption. But they are not. Chavez, meanwhile, retains his image of inculpability.

¶10. (C) The National Assembly may be opening a can of worms by asking the people to bring their complaints. The rookie legislature could generate discontent when it becomes clear it is unequipped to handle each individual request. The corrupt Chavez administration, meanwhile, may create even more problems as it hunts down its own personnel. Witch hunts risk disrupting internal morale, as they already may be doing in the military (REF D).
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